

**NATIONAL PERFORMANCE NETWORK, INC.
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/15/11

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Performance Network, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of National Performance Network, Inc. (a nonprofit organization) (the "Organization") as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of National Performance Network, Inc. as of June 30, 2009, were audited by other auditors whose report, dated March 4, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Performance Network, Inc. as of June 30, 2010, and the results of its activities, functional expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Silva Gurtner & Abney, LLC

February 28, 2011

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NATIONAL PERFORMANCE NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents, unrestricted | \$ 103,678 | \$ 118,241 |
| Cash and cash equivalents, restricted | - | 442,257 |
| Certificate of deposit | 100,723 | - |
| Accounts receivable and prepaid expenses | 98,778 | 56,774 |
| Grants receivable, unrestricted | - | 5,172 |
| Grants receivable, restricted | 1,148,309 | 1,524,925 |
| Total current assets | <u>1,451,488</u> | <u>2,147,369</u> |
| Non-current assets | | |
| Grants receivable, restricted, net of discount | 640,530 | 1,494,570 |
| Property and equipment, net of accumulated depreciation | 18,931 | 20,682 |
| Deposits | 1,400 | 1,400 |
| Total non-current assets | <u>660,861</u> | <u>1,516,652</u> |
| Total assets | <u>\$ 2,112,349</u> | <u>\$ 3,664,021</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------------|---------------------|
| Current liabilities | | |
| Accounts payable | \$ 63,615 | \$ 79,709 |
| Grants payable | 189,383 | 180,472 |
| Accrued expenses | 6,056 | 11,523 |
| Total current liabilities | <u>259,054</u> | <u>271,704</u> |
| Net assets | | |
| Unrestricted | (177,008) | (69,435) |
| Temporarily restricted | 2,030,303 | 3,461,752 |
| Total net assets | <u>1,853,295</u> | <u>3,392,317</u> |
| Total liabilities and net assets | <u>\$ 2,112,349</u> | <u>\$ 3,664,021</u> |

See accompanying independent auditors' report and notes to financial statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| Support and revenue | | | |
| Contributions | \$ 29,187 | \$ 678,726 | \$ 707,913 |
| Government grants | - | 293,490 | 293,490 |
| Partner contributions | 94,000 | - | 94,000 |
| Interest income | 1,131 | - | 1,131 |
| Other | 120,439 | - | 120,439 |
| | <u>244,757</u> | <u>972,216</u> | <u>1,216,973</u> |
| Net assets released from restriction satisfaction of program restrictions | <u>2,403,665</u> | <u>(2,403,665)</u> | <u>-</u> |
| Total support and revenue | <u>2,648,422</u> | <u>(1,431,449)</u> | <u>1,216,973</u> |
| Expenses | | | |
| Program | 2,279,557 | - | 2,279,557 |
| Management and general | 358,489 | - | 358,489 |
| Fundraising | 117,949 | - | 117,949 |
| Total expenses | <u>2,755,995</u> | <u>-</u> | <u>2,755,995</u> |
| Change in net assets | (107,573) | (1,431,449) | (1,539,022) |
| Net assets - June 30, 2009 | <u>(69,435)</u> | <u>3,461,752</u> | <u>3,392,317</u> |
| Net assets - June 30, 2010 | <u>\$ (177,008)</u> | <u>\$ 2,030,303</u> | <u>\$ 1,853,295</u> |

See accompanying independent auditors' report and notes to financial statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

| | Unrestricted | Temporarily Restricted | Total |
|--|--------------------|---------------------------|---------------------|
| Support and revenue | | | |
| Contributions | \$ 90,132 | \$ 913,830 | \$ 1,003,962 |
| Government grants | - | 108,939 | 108,939 |
| Partner contributions | 104,000 | - | 104,000 |
| Interest income | 12,123 | - | 12,123 |
| Other | 95,748 | - | 95,748 |
| | <u>302,003</u> | <u>1,022,769</u> | <u>1,324,772</u> |
| Net assets released from restriction satisfaction of program restrictions | <u>2,312,889</u> | <u>(2,312,889)</u> | <u>-</u> |
| Total support and revenue | <u>2,614,892</u> | <u>(1,290,120)</u> | <u>1,324,772</u> |
| Expenses | | | |
| Program | 2,227,663 | - | 2,227,663 |
| Management and general | 363,783 | - | 363,783 |
| Fundraising | 106,635 | - | 106,635 |
| Total expenses | <u>2,698,081</u> | <u>-</u> | <u>2,698,081</u> |
| Change in net assets | (83,189) | (1,290,120) | (1,373,309) |
| Net assets - June 30, 2008 | <u>13,754</u> | <u>4,751,872</u> | <u>4,765,626</u> |
| Net assets - June 30, 2009 | <u>\$ (69,435)</u> | <u>\$ 3,461,752</u> | <u>\$ 3,392,317</u> |

See accompanying independent auditors' report and notes to financial statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

| | Program | Management and General | Fundraising | Total |
|-----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Communications | \$ 16,051 | \$ 6,506 | \$ 3,643 | \$ 26,200 |
| Conferences and meetings | 35,524 | 11,196 | 984 | 47,704 |
| Contractors and professional fees | 415,041 | 49,471 | 3,417 | 467,929 |
| Depreciation | 4,040 | 2,386 | 1,325 | 7,751 |
| Miscellaneous | 247 | 35 | 156 | 438 |
| Occupancy | 49,843 | 16,267 | 9,139 | 75,249 |
| Payroll taxes and benefits | 42,934 | 36,015 | 15,567 | 94,516 |
| Postage and delivery | 9,894 | 1,095 | 1,242 | 12,231 |
| Printing | 13,324 | 1,305 | 58 | 14,687 |
| Program grants | 1,185,138 | - | - | 1,185,138 |
| Project activities | 212,319 | 8,129 | 518 | 220,966 |
| Promotions and marketing | 32,916 | 15,246 | 4,484 | 52,646 |
| Salaries and wages | 172,854 | 181,116 | 70,897 | 424,867 |
| Travel | 89,432 | 29,722 | 6,519 | 125,673 |
| | <u>\$ 2,279,557</u> | <u>\$ 358,489</u> | <u>\$ 117,949</u> | <u>\$ 2,755,995</u> |

See accompanying independent auditors' report and notes to financial statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

| | Program | Management and General | Fundraising | Total |
|-----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Communications | \$ 12,982 | \$ 6,491 | \$ 2,910 | \$ 22,383 |
| Conferences and meetings | 12,348 | 11,809 | - | 24,157 |
| Contractors and professional fees | 365,446 | 52,070 | 2,773 | 420,289 |
| Depreciation | 3,297 | 1,649 | 739 | 5,685 |
| Miscellaneous | 1,796 | 4,729 | - | 6,525 |
| Occupancy | 48,590 | 24,295 | 10,891 | 83,776 |
| Payroll taxes and benefits | 57,457 | 36,115 | 14,475 | 108,047 |
| Postage and delivery | 4,305 | 1,893 | 1,083 | 7,281 |
| Printing | 11,092 | 2,545 | 1,866 | 15,503 |
| Program grants | 1,001,932 | 1,023 | - | 1,002,955 |
| Project activities | 292,717 | 7,930 | 2,417 | 303,064 |
| Promotions and marketing | 23,429 | 2,161 | 632 | 26,222 |
| Salaries and wages | 273,445 | 171,172 | 68,198 | 512,815 |
| Travel | 118,827 | 39,901 | 651 | 159,379 |
| | <u>\$ 2,227,663</u> | <u>\$ 363,783</u> | <u>\$ 106,635</u> | <u>\$ 2,698,081</u> |

See accompanying independent auditors' report and notes to financial statements.

NATIONAL PERFORMANCE NETWORK, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (1,539,022) | \$ (1,373,309) |
| Adjustments to reconcile change in net assets to cash used in operating activities: | | |
| Depreciation | 7,751 | 5,685 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and prepaid expenses | (42,004) | (2,522) |
| Grants receivable | 1,263,585 | 1,363,790 |
| Discount on grants receivable | (27,757) | (32,572) |
| Deposits | - | (1,400) |
| Accounts payable | (16,094) | (25,549) |
| Grants payable | 8,911 | 6,493 |
| Accrued expenses | (5,467) | (1,804) |
| Net cash used in operating activities | <u>(350,097)</u> | <u>(61,188)</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (6,000) | (15,496) |
| Net cash used in investing activities | <u>(6,000)</u> | <u>(15,496)</u> |
| Net decrease in cash and cash equivalents | (356,097) | (76,684) |
| Cash and cash equivalents - beginning of year | <u>560,498</u> | <u>637,182</u> |
| Cash and cash equivalents - end of year | <u>\$ 204,401</u> | <u>\$ 560,498</u> |
| Reconciliation to statements of financial position | | |
| Cash and cash equivalents for cash flow statements include: | | |
| Cash and cash equivalents, unrestricted | \$ 103,678 | \$ 118,241 |
| Cash and cash equivalents, restricted | - | 442,257 |
| Certificate of deposit | 100,723 | - |
| | <u>\$ 204,401</u> | <u>\$ 560,498</u> |

See accompanying independent auditors' report and notes to financial statements.

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

National Performance Network, Inc. (the "Organization") is a group of diverse cultural organizers, including artists, working to create meaningful partnerships and provide leadership that enables the practice and public experience of the performing arts in the United States. The Organization services artists, arts organizers, and a broad and diverse range of audiences and communities across the country through commissions, residencies, community cultural projects, and other artistic activities. In certain programs, the Organization subsidizes artists' and presenters' projects.

Financial Statement Presentation

These financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Therefore, revenues are recorded when earned and expenses are recorded when incurred. Contributions are recognized when received or unconditionally promised. In-kind donations are recognized at fair value when received.

Basis of Presentation

The financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. The Organization classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted, and permanently restricted based upon the following criteria:

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. Included in permanently restricted net assets are endowment trust assets from which the corpus may never be withdrawn. There were no permanently restricted net assets at June 30, 2010 and 2009.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

The Organization is a not-for-profit Organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. It is exempt from Louisiana income tax under the Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

Donated Assets and Services

The Organization records noncash donations as contributions at its estimated fair value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Contributed services are recorded when the services, if significant in amount, create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all restricted highly liquid investments that mature within three months or less to be cash equivalents. Cash and cash equivalents include demand deposits and interest bearing demand deposits.

Grants Receivable

Grants receivable represent amounts due from foundations and other grants. Amounts are stated at cost and management estimates that all amounts are collectible.

Property and Equipment

Property and equipment are recorded at cost, with the exception of donated items, which are recorded at fair market value at the date of the donation. It is the Organization's policy to capitalize expenditures for items in excess of \$500. Acquisitions and donations of property and equipment are made as unrestricted assets, unless the donor imposes a restriction. Depreciation is provided over the estimated useful lives of the respective assets, approximately five to seven years, on a straight-line basis. Depreciation expense for the year ended June 30, 2010 and 2009 was \$7,751 and \$5,685, respectively.

Functional Expense Allocation

Generally, expenses are charged to each program or function based on direct expenditures incurred. Expenditures not directly chargeable are allocated to programs or functions based on the estimated percentage of time spent by the Organization's employees on each program.

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Unrestricted Revenue and Support

The Organization receives its support and revenue primarily from private foundations and federal programs. Grants and contributions received, as well as collectible unconditional promises to give, are recognized in the period received or unconditionally pledged. Grants and contributions with donor-imposed restrictions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Pledged contributions are recorded as receivables when a firm pledge is made and collectability is reasonably determinable. If a pledge is to be received over a period of more than a year, the respective non-current amount is recorded at the net present value of future contributions as a non-current receivable.

NOTE B – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in a financial institution located in New Orleans, Louisiana, that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's cash balance was not in excess of FDIC insurance at June 30, 2010. The Organization's cash balance was in excess of the FDIC insurance at June 30, 2009 by \$404,702. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk to cash.

NOTE C – GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30:

| | 2010 | 2009 |
|----------------------------------|---------------------|---------------------|
| Doris Duke Charitable Foundation | \$ 1,556,242 | \$ 2,499,940 |
| Ford Foundation | 93,000 | 390,000 |
| National Endowment of the Arts | 145,000 | 70,000 |
| Andy Warhol Foundation | - | 100,000 |
| Other grants | 15,364 | 13,300 |
| | <u>1,809,606</u> | <u>3,073,240</u> |
| Less unamortized discount | 20,817 | 48,573 |
| Net grants receivable | <u>\$ 1,788,789</u> | <u>\$ 3,024,667</u> |

Grants receivable are presented on the statements of financial position as follows:

| | 2010 | 2009 |
|--|---------------------|---------------------|
| Current grants receivable, unrestricted | \$ - | \$ 5,172 |
| Current grants receivable, restricted | 1,148,309 | 1,524,925 |
| Non-current grants receivable, restricted, net of discount | 640,530 | 1,494,570 |
| Net grants receivable | <u>\$ 1,788,789</u> | <u>\$ 3,024,667</u> |

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE C – GRANTS RECEIVABLE, continued

The discount rate used to estimate net present value was 3.25% at June 30, 2010 and 2009. The discount rate reflects the current market conditions for anticipated returns at that date.

NOTE D – FAIR VALUE MEASUREMENTS

Fair value measurements establishes a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Long-term grants receivable is valued at the net present value of future receivables at year end. The Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The long-term grants receivable are classified as a Level 3 asset, defined as inputs to the valuation methodology are unobservable and significant to the fair value measurement. The method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

The following table is the reconciliation of the beginning and ending balances of the fair value measurements of long-term grants receivable using significant unobservable inputs (Level 3):

| | |
|---|-------------------|
| Balance, July 1, 2009 | \$ 1,494,570 |
| Discount amortization | 27,757 |
| Payments received | - |
| Transfers out of Level 3 (to current grants receivable, restricted) | (881,797) |
| Balance, June 30, 2010 | <u>\$ 640,530</u> |

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

| | 2010 | 2009 |
|---------------------------------------|---------------------|---------------------|
| Doris Duke Charitable Foundation | \$ 1,563,243 | \$ 2,639,545 |
| Ford Foundation | 93,000 | 388,129 |
| National Endowment of the Arts | 105,000 | 70,000 |
| Andy Warhol Foundation | 100,000 | 217,400 |
| Other corporate and foundation grants | 169,060 | 146,678 |
| | <u>\$ 2,030,303</u> | <u>\$ 3,461,752</u> |

NOTE F – OPERATING LEASES

The Organization leased office space under an operating lease which expired February 2010. The Organization renewed the operating lease on a month to month basis. Rental expense was \$16,800 and \$5,600 for the years ended June 30, 2010 and 2009, respectively.

NATIONAL PERFORMANCE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE G – PROGRAM EXPENSES

During the years ended June 30, 2010 and 2009, the Organization provided subsidies totaling \$1,185,138 and \$1,001,932, respectively, to artists and artistic organizations under various programs it administers. Under certain programs, the subsidy provided by the Organization is expected to be matched by one or more participating partners, as detailed below for the Organization's three major programs for the years ended June 30:

| | <u>Subsidy Provided by National Performance Network</u> | | <u>Anticipated Matching Subsidy from Partner Organizations</u> | |
|----------------|---|-------------------|--|---------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Residency Fund | \$ 675,664 | \$ 601,499 | \$ 1,599,337 | \$ 737,557 |
| Community Fund | 109,826 | 93,830 | 146,747 | 115,658 |
| Creation Fund | 248,593 | 212,000 | 1,014,306 | 401,275 |
| | <u>\$ 1,034,083</u> | <u>\$ 907,329</u> | <u>\$ 2,760,390</u> | <u>\$ 1,254,490</u> |

Under the terms of the subsidy agreements, the Organization has no additional financial obligation or liability associated with the failure of the participating partners to pay the commissioned artist the partner matching subsidy.

NOTE H – RELATED PARTY TRANSACTIONS

Members of the Board of Directors were paid a per diem for attendance at board meetings and were also reimbursed for out-of-pocket expenses resulting from their participation in the Organization's activities in the amount of \$30,305 and \$39,063 for the years ended June 30, 2010 and 2009, respectively.

NOTE I – COMMITMENTS AND CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems the contingency remote since, by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 28, 2011, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.